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The New Jersey Housing and Mortgage Finance Agency ("Agency") is proposing an amendment to its mortgage loan prepayment rules. The full text of the proposed mortgage loan prepayment rule amendment is available in the October 7, 2002 *New Jersey Register*, 34 N.J.R. 3415(a).

The Agency's mortgage loan prepayment rules, N.J.A.C. 5:80-5.10, set forth certain conditions under which prepayment of an Agency mortgage loan will be permitted. At N.J.A.C. 5:80-5.10(c), it is provided that prepayment will not be approved or permitted where, among other circumstances, a reduction or termination of subsidies to the project, such as United States Department of Housing and Urban Development ("HUD") Section 8 or Section 236, would result. The Agency is proposing to amend N.J.A.C. 5:80-5.10(c)3 to create an exception to the foregoing provision and to allow the prepayment of mortgages that would result in the reduction or termination of housing subsidies if the subsidies are renewed and will remain with the project through the end of the original mortgage term.

HUD procedures call for the termination of subsidy contracts upon the last principal payment of a mortgage. Since HUD can consider the prepayment of a mortgage loan as the last principal payment, it can require a contract renewal pursuant to the HUD renewal policy guide. A re-evaluation of subsidies and rent levels is conducted by HUD and results in new subsidy contracts. The re-evaluations lead to a renewal of the subsidy with a new contract. The proposed Agency amendment is thus of a technical nature to better accord with HUD procedures.

It is expected that the proposed amendment, by requiring project-based subsidies to remain in place through the end of the original mortgage term, will allow mortgage loan prepayments to be made in certain circumstances while maintaining the affordable housing status of and receipt of subsidies by housing projects. Since the proposed amendment would require that housing subsidies continue despite the prepayment of an Agency mortgage loan, housing projects will still meet Agency requirements for financial viability and affordability controls will remain in place.

For more information about the Register and Code, please contact Customer Service at the Office of Administrative Law at (609) 588-6606. To comment upon the proposed amendments, send written comments by November 15, 2002 to:

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